



## ASX Release

22 February 2013

### **UPDATE ON AUSGRID ARBITRATION PROCESS AND ITS IMPACT ON THE INTERIM FINANCIAL REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2012**

As previously announced by Redbank Energy Limited (ASX:AEJ), Redbank Project has triggered the dispute resolution provisions under the Power Purchase Hedge Agreement (“PPHA”) to which it is a party with Ausgrid. The PPHA is a long-term agreement for the sale of power to Ausgrid which effectively underwrites the revenue received from the operation of the Redbank Power Station.

The dispute relates to the entitlement under the PPHA to pass through to Ausgrid the cost incurred by Redbank Project under the Commonwealth Government’s Clean Energy Act, 2011. Redbank Project and Ausgrid have been unable to come to an agreement regarding the operation of the pass through clause contained within the PPHA. The dispute resolution process culminated in a formal arbitration hearing which concluded on 19 December 2012. It had previously been announced that the parties expected the decision of the arbitrator to be delivered in February 2013. The parties have now been advised by the arbitrator that the outcome is expected to be delivered in early March 2013.

Due to the nature of the dispute and the reliance on an estimate being made with respect to the extent of the pass through in valuing the PPHA at fair value, the effect of a change in the assumption regarding the amount of carbon cost able to be passed through to Ausgrid will have a material financial impact on the value of the PPHA and the Redbank Power Station, and hence on the asset value disclosed in the Redbank consolidated entity’s balance sheet. In the absence of an agreed quantum of pass through entitlement, the valuation of the PPHA is highly subjective and is dependent on assumptions which can have the effect of materially changing the valuation of the PPHA (and hence the Redbank Power Station and the consolidated entity’s balance sheet). The key assumption in this context is how much carbon liability can be passed through to Ausgrid.

Having regard to the materiality of the PPHA, the current uncertainties associated with valuing the PPHA and the imminence of the arbitrator’s decision which will address these uncertainties, Redbank Energy considers it to be an appropriate and prudent course of action to delay the release of Redbank Energy’s Interim Financial Report for the Half-Year Ended 31 December 2012 (“**Accounts**”) until after the arbitrator has delivered his decision. This approach will ensure that the Accounts, when released, reflect the applicable key assumptions underpinning the valuation of the PPHA and thus reduce the potential for further adjustments in the future. It will also avoid the unnecessary duplication of resources should the Accounts be released prior to 28 February 2013 and then subsequently require further revision and auditing in the event that key underlying valuation assumptions change as a consequence of the arbitration outcome.

Redbank Energy notes that if it fails to release the Accounts and accompanying Appendix 4D to the ASX by 28 February 2013, then the ASX will suspend Redbank Energy shares from quotation on the trading day after the date on which the Accounts and Appendix 4D are due (i.e. trading in Redbank Energy shares will be suspended before trading commences on 1 March 2013). The ASX does not

have any discretion to waive the suspension. The ASX will not reinstate Redbank Energy shares to quotation until the Accounts are lodged.

Upon the delivery of the arbitration outcome expected in early March 2013, Redbank Energy will move quickly to assess the arbitrator's decision and consider its impact on the Redbank Project business in particular. In the absence of wholly unexpected circumstances, Redbank Energy anticipates that the finalisation, audit and release of the Accounts to the ASX will likely take a further two weeks from the date that the arbitrator's decision is announced.

**ENDS**

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**Further Information:**

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